

National Aeronautics and  
Space Administration  
**Office of the Administrator**  
Washington, DC 20546-0001



AUG 5 1999

The Honorable John McCain  
Chairman  
Committee on Commerce,  
Science and Transportation  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

I read with interest your views concerning the commercialization of the International Space Station (ISS) presented in the July 12, 1999, issue of "Roll Call." In that piece, you concluded, "Helping commercialize the International Space Station will ensure that we have a cost-effective space program that delivers the highest return to the American people." I agree, and applaud your efforts to encourage the private sector to play a more significant role in the ISS.

You point out that the President's FY 2000 budget reflects an increase in the estimated cost for ISS development. The basis of this increase is a policy decision to reduce the level of risk to the ISS over 5 years, by providing for enhanced budget reserves, and implementation of a robust U.S. Contingency Plan. We are now immersed in the multiyear challenge of ISS assembly, and are looking forward to initiation of ISS research and routine operations. NASA recognizes that accommodating a range of commercialization opportunities for the ISS could enable the Government to offset ISS operations costs. We are now implementing a number of steps that I believe will be responsive to your call for ISS commercialization.

In 1998, the Committee played a pivotal role in the formulation and ultimate enactment of the Commercial Space Act (P.L. 105-303) which called for several reports relative to the potential for commercial opportunities with respect to the ISS. NASA responded with its Commercial Development Plan for the ISS. We share the vision of an expanding space program with private investment, international collaboration, and vigorous economic development. Since the Plan was released, NASA has begun to receive, for the first time, true entrepreneurial offers involving private investment in the ISS. We expect to announce the first agreements soon. These business ventures will unequivocally demonstrate our commitment to the economic development of space.

What has changed?

For almost 20 years, the same three barriers have impeded those seeking to develop commercial space products and services: pricing, process, and property protection. NASA pledged in the ISS Commercial Development Plan, to break down those barriers through our ISS pathfinder initiative, and it is beginning to work.

### *Pricing Policy*

NASA's ISS pricing policy has been formulated using value-based pricing, with a marginal cost floor. The policy includes provisions to waive all, or part, of the marginal cost during the short run in order to stimulate private investment; it invokes full marginal cost in the long run in order to prevent Government subsidization of profitable enterprises. In addition, the policy includes a demonstration revenue reinvestment program that would permit NASA to ultimately recoup value in excess of marginal cost and apply it directly to the ISS economic development program. The Administration has agreed that this legislative authority could be instrumental to ISS commercialization, and NASA transmitted to the Congress on July 27, 1999, an Administration-sponsored legislative proposal for a "Space Station Commercial Development Demonstration Program." Implementation of this legislative initiative will dispel price uncertainty and create a new investment engine not dependent on annual appropriations to fuel its acceleration. Further, it will help free the Government from performing tasks that the private industry, with some Government assistance, can assume. I seek the Committee's favorable consideration of this proposal.

### *Process Reform*

ISS entrepreneurial offers, involving significant private investment, are now receiving the special treatment they deserve at NASA. We have addressed the long-standing concerns that NASA have a single-point-of-entry for entrepreneurs by establishing a new Division for Space Utilization and Product Development at NASA Headquarters as well as an executive position of Special Assistant for Commercialization within the Office of the Administrator to ensure priority attention. NASA will no longer waste valuable human resources debating hypothetical business scenarios. If a commercial offer is real, the NASA response will be real.

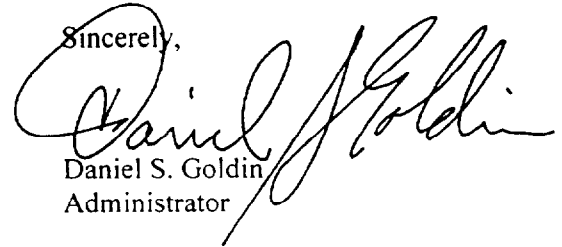
### *Intellectual Property Protection*

U.S. law provides NASA with a variety of measures to protect its own and other parties' intellectual property and proprietary data. In accordance with these laws, NASA has established policies and procedures to protect such property and data. Currently, NASA's General Counsel is completing a guide to explain to private industry in a clear and comprehensive manner how these laws and procedures, as well as ISS international agreements, apply to commercial activities on the ISS. NASA fully intends to uphold its commitment to protect the competitive position of U.S. industry and the economic growth of the Nation.

These reforms are essential, and all are in the final stages of completion. The enactment of P.L. 105-303 and NASA's announcement of intent have already stimulated private investment proposals that are under review. I am convinced that this momentum will build. In the future, we believe that a non-Government organization could undertake management of the ISS Utilization and Economic Development. NASA outlined this option in our ISS Commercial Development Plan, and a Task Group of the National Research Council is in the process of evaluating our reference model for such an organization. While this work proceeds, we have also initiated a trade study to identify the advantages and disadvantages of various options such as Government corporations, joint ventures, direct contracts, or cooperative agreements. We look forward to sharing the results of these tasks with you as they approach completion.

NASA shares your vision for the economic development of space. The 21st century holds the promise of an expanded presence both in Earth orbit and beyond. Through our collective efforts, we will be able to view horizons previously unseen by human eyes and invest in ventures unparalleled by prior human experience.

Sincerely,

A handwritten signature in black ink, reading "Daniel S. Goldin". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail that extends to the right.

Daniel S. Goldin  
Administrator